

Message Text

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PAGE 01 EC BRU 01881 041954Z

72

ACTION EUR-12

INFO OCT-01 ISO-00 IO-10 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 XMB-02 L-02 PA-01

PRS-01 USIA-06 EA-06 /075 W
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R 041838Z MAR 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8414

INFO ALL EC CAPITSLS 415

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

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PASS TREASURY FOR PELIKAN AND EXIMBANK FOR GIANTURCO

E.O. 11652: NA

TAGS: EFIN, EEC, XM

SUBJECT: EXPORT CREDIT GENTLEMEN'S AGREEMENT--ISSUE OF THE
EUROPEAN INVESTMENT BANK

1. SUMMARY: EUROPEAN INVESTMENT BANK (EIB) OFFICIALS HAVE INDICATED THAT THE PROPOSED GENTLEMEN'S AGREEMENT SHOULD NOT APPLY TO THE EIB. AS A REGIONAL DEVELOPMENT INSTITUTION, THE EIB NOTES IT IS INAPPROPRIATE TO CONSIDER THAT THE BANK PROVIDES EXPORT CREDITS. THE EIB STATES THAT ALL PROCUREMENT FOR ITS ORDINARY LOANS IS UNTIED AND ITS SPECIAL LOANS MEET THE DAC CRITERIA FOR FINANCIAL AID. END SUMMARY.

2. MRS. ARCHIBALD OF THE EC COMMISSION HAS ASKED US TO TRANSMIT TO WASHINGTON AGENCIES CONCERNED WITH THE GENTLEMEN'S AGREEMENT A LETTER SHE HAS RECEIVED FROM THE EIB. SHE EXPLAINS THAT US OFFICIALS RAISED WITH
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PAGE 02 EC BRU 01881 041954Z

HER DURING A RECENT TRIP TO WASHINGTON THE POSSIBILITY

OF APPLYING THE GENTLEMEN'S AGREEMENT TO THE EIB. IN
TURN MRS. ARCHIBALD ASKED THE BANK'S STAFF FOR ITS
REACTION TO THIS PROPOSAL. SHE HAS RECEIVED A LETTER OF FEB 28,
IN FRENCH, FROM THE EIB (COPIES OF WHICH WILL BE POUCHED) ON
ARGUING THAT IT WOULD BE INAP-
PROPRIATE TO INCLUDE THE EIB UNDER THE AGREEMENT.

3. MRS. ARCHIBALD ADDS THAT SHOULD THE US DELEGATION
RAISE THIS ISSUE IN THE FORTHCOMING NEGOTIATIONS WE
SHOULD BE PREPARED TO EXPLAIN HOW THE EIB DEFERS
FROM THE REGIONAL DEVELOPMENT INSTITUTIONS WHICH THE US
SUPPORTS. FOR EXAMPLE, MRS. ARCHIBALD ASKS WHETHER THE
PROCUREMENT POLICIES OF THE EIB ARE SUBSTANTIALLY
DIFFERENT FROM THE INTER-AMERICAN DEVELOPMENT BANK.

4. THE FOLLOWING IS AN INFORMAL MISSION TRANSLATION
OF THE EIB'S LETTER TO MRS. ARCHIBALD. QUOTE: SINCE
THE MEETING OF THE EXPORT CREDIT GROUP OF FEBRUARY 19,
YOU HAVE SAID THAT AMERICAN OFFICIALS HAVE ASKED
WHETHER THE EIB MIGHT BE INCLUDED IN THE "GENTLEMEN'S
AGREEMENT" UNDER THE CONDITIONS OF THE EXPORT CREDITS
PRESENTLY UNDER NEGOTIATION.

WE WOULD FIRST LIKE TO SAY THAT IT IS INAPPROPRIATE
TO CONSIDER THE EIB AS A FINANCIAL INSTITUTION FOR THE
FINANCING OF EXPORT CREDITS. WE HAVE ALREADY STATED
THIS POINT IN OUR LETTER OF JUNE 13, 1964, IN REPLY
TO A DOCUMENT OF THE OECD'S WORKING GROUP ON EXPORT
CREDITS AND GUARANTEES.

WE ARE OBLIGED TO SAY FIRMLY AGAIN THAT THE ISSUE
RAISED BY THE AMERICANS IS NOT APPLICABLE. IN
SHORT:

--THE BANK DOES NOT FURNISH COMMERCIAL CREDITS
FOR EXPORT; ITS PURPOSE IS FINANCING THE DEVELOPMENT
OF THE MEMBER STATES (ART. 130 OF THE TREATY OF ROME
ESTABLISHING THE EEC, RESTATED IN ARTICLE 2 OF THE
BANK'S STATUTE) AND CONTRIBUTING TO THE ECONOMIC AND
SOCIAL DEVELOPMENT OF THE ASSOCIATED STATES (ACCORDING
TO THE TERMS OF THE VARIOUS FINANCIAL AGREEMENTS AND
PROTOCOLS UNDERTAKEN BY THE EEC WITH THESE COUNTRIES);

--THE ORDINARY LOANS OF THE BANK (FROM ITS OWN
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PAGE 03 EC BRU 01881 041954Z

RESOURCES), PROVIDED TO THE MEMBER STATES, THE
ASSOCIATED AFRICAN STATES AND MADAGASCAR (AASM - THE
OLD YAOUNDE GROUP), THE OVERSEAS COUNTRIES
AND TERRITORIES (OCT), GREECE AND TURKEY, ARE NO-
TIFIED. IN FACT, THESE LOANS CAN BE USED TO BUY GOODS
AND SERVICES EITHER IN THE MEMBER STATES OR IN
THIRD-COUNTRIES. IT SHOULD BE NOTED THAT ALL THE
LOAN CONTRACTS INCLUDE CLAUSES REQUIRING INTERNATIONAL

TENDERS AND NON-DISCRIMINATORY COMPETITION (ART. 20 OF THE EIB'S STATUTES). IN ADDITION, THE BANK OFFERS A UNIFORM RATE OF INTEREST FOR ITS ORDINARY LOANS, WITHOUT DISCRIMINATION WITH REGARD TO WHERE THE PROJECT IS LOCATED IN THE COUNTRY.

--LOANS PROVIDED TO THE AASM -OCT COUNTRIES AND TO GREECE THROUGH THE BANK'S OWN RESOURCES MAY RECEIVE AN INTEREST RATE SUBSIDIZATION FROM THE EUROPEAN DEVELOPMENT FUND (FED) OR FROM THE MEMBER STATES. THESE SUBSIDIES ARE PROVIDED ON THE BASIS OF ECONOMIC CRITERIA. THE SUBSIDIZED LOANS ARE ALSO NOT-TIED.

--SPECIAL LOANS OF THE EIB (FROM THE FED'S RESOURCES FOR THE AASM COUNTRIES OR FROM THE MEMBER STATE'S RESOURCES FOR TURKEY) QUALIFY AS ECONOMIC DEVELOPMENT AID. THESE LOANS SATISFY THE DAC CRITERIA AND, CONSEQUENTLY, ARE NOT UNDER THE APPLICATION OF THE GENTLEMEN'S AGREEMENT. THE GRANT ELEMENT OF THESE LOANS HAVE BEEN THE FOLLOWING AASM THE PAST TEN YEARS: 62-70 PERCENT FOR THE EAMA AND 52 TO 60 PERCENT FOR TURKEY. END QUOTE.
GREENWALD

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